LQWD FINTECH CORP.

Consolidated Financial Statements

February 28, 2022
and
February 28, 2021

Audited

(Expressed in Canadian dollars)

KRP KINGSTON ROSS PASNAK LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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June 27, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LQwD Fintech Corp.

Opinion

We have audited the consolidated financial statements of LQwD Fintech Corp. (the Company), which comprise the consolidated statements of financial position as at February 28, 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2022, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company had working capital of $8,801,613 but also had an accumulated deficit of $46,170,151. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended February 28, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 28, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

(continues)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(continues)

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Justin Rousseau.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

LQWD FINTECH CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		February 28, 2022		February 28, 2021
Assets				
Current:				
Cash and cash equivalents	$	871,449	$	1,836,827
Amounts receivable		39,696		62,313
Digital currencies (Note 8)		8,295,599		387,083
Prepaid expenses		47,636		53,571
		9,254,380		2,339,794
Non-Current:				
Intangible assets (Note 5)		5,649,733		561,024
Goodwill (Note 12)		2,838,279		-
Property and equipment (Note 6)		178,250		2,583
Restricted cash		65,135		39,684
	$	17,985,777	$	2,943,085
Liabilities and Equity				
Current:				
Accounts payable and accrued liabilities	$	400,775	$	92,553
Current portion of lease liability		51,992		-
		452,767		92,553
Non-Current:				
Long term portion of lease liability		77,362		-
		530,129		92,553
Shareholders' equity				
Capital stock (Note 6(b))		55,823,279		23,005,991
Contributed surplus (Note 7(d))		7,802,520		1,900,648
Shares subscribed (Note 7(f))		-		1,062,010
Revaluation reserve (Note 8)		-		92,083
Deficit		(46,170,151)		(23,210,200)
		17,455,648		2,850,532
	$	17,985,777	$	2,943,085

Nature of operations and going concern (Note 1)
Subsequent events (15)
See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on June 28, 2022.

"Giuseppe (Pino) Perone"
……………………………………………….Director
Giuseppe (Pino) Perone

"Ashley Garnot"
……………………………………………….Director
Ashley Garnot

LQWD FINTECH CORP.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended	February 28, 2022	February 28, 2021
Revenue	$ 69,523	$ 126,119
General and administrative expenses		
Amortization of intangible assets	827,291	178,556
Amortization of property and equipment	29,028	1,107
Audit and accounting	121,692	26,722
Bank charges	5,395	4,283
Business development	15,060	1,111
Consulting and milestone fees	166,163	224,000
Director fees	-	3,000
Insurance	591	-
Legal	398,242	85,119
Management fees	-	25,136
Marketing	480,936	50,132
Office and administration	52,242	3,420
Office rent	11,633	7,137
Platform administration	80,133	69,430
Research and development	579,553	39,378
Salaries and benefits	428,029	88,280
Share-based compensation (Note 7)	1,450,777	72,071
Shareholder relations	27,441	10,126
Transfer and filing fees	148,189	47,663
Travel and entertainment	20,302	1,911
	(4,842,697)	(938,582)
Other items		
Loss on deposit	(635,000)	-
Foreign exchange	(19,672)	(2,508)
Interest and accretion income	1,159	1,774
Loss on revaluation (Note 8)	(888,917)	-
Premium on purchase (Note 12)	(16,644,347)	-
	(18,186,777)	(734)
Net loss for the year	(22,959,951)	(813,197)
Other comprehensive income		
Change in revaluation reserve (Note 8)	(92,083)	92,083
Comprehensive loss for the year	$ (23,052,034)	$ (721,114)
Loss per share, basic and diluted	$ (0.33)	$ (0.03)
Weighted average number of common shares outstanding	69,961,250	27,289,836

See accompanying notes.

LQWD FINTECH CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended	February 28, 2022	February 28, 2021
Operating activities		
Net loss for the year	$ (22,959,951)	$ (813,197)
Items not involving cash:		
Amortization of intangible assets	827,291	178,556
Amortization of property and equipment	29,028	1,107
Interest and accretion	-	4
Lease liability	(14,385)	-
Loss on revaluation	888,917	-
Premium on purchase	16,644,347	-
Milestone shares	-	49,000
Share-based compensation	1,450,777	72,071
	(3,133,976)	(512,459)
Changes non-cash working capital:		
Amounts receivable	37,812	10,033
Prepaid expenses	9,100	(29,856)
Accounts payable and accrued liabilities	(72,308)	15,993
	(25,396)	(3,830)
Cash used in operating activities	(3,159,372)	(516,289)
Financing activities		
Private placement proceeds	11,987,990	735,632
Share issued costs	(1,173,429)	(38,372)
Share options exercised	14,000	-
Share subscribed	-	1,062,010
Warrants exercised	334,666	-
Cash provided by financing activities	11,163,227	1,759,270
Investing activities		
Capitalization of intangible assets	-	(96,316)
Cash acquired on acquisition of LQWD Financial Corp.	4,155	-
Purchase of digital currencies	(8,889,516)	(295,000)
Purchase of property and equipment	(58,421)	-
Restricted cash	(25,451)	-
Cash used in investing activities	(8,969,233)	(391,316)
Net (outflow) inflow of cash and cash equivalents	(965,378)	851,665
Cash and cash equivalents, beginning of year	1,836,827	985,162
Cash and cash equivalents, end of year	$ 871,449	$ 1,836,827
Supplementary disclosures:		
Interest received	$ 931	$ 1,778
Cash	$ 604,575	$ 1,570,618
Short-term deposits	266,874	266,209
	$ 871,449	$ 1,836,827

See accompanying notes.

LQWD FINTECH CORP.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Shares						
	Number	Amount	Shares Subscribed	Revaluation Reserve (Note 6)	Contributed Surplus	Deficit	Total
Balance, February 29, 2020	25,245,644	$ 22,224,731	$ -	$ -	$ 1,828,577	$ (22,397,003)	$ 1,656,305
Share-based payments	-	-	-	-	72,071	-	72,071
Acquisition of intangible asset	233,333	35,000	-	-	-	-	35,000
Milestone shares	300,000	49,000	-	-	-	-	49,000
Private placement – net of share issue costs	4,904,212	697,260	-	-	-	-	697,260
Shares subscribed	-	-	1,062,010	-	-	-	1,062,010
Revaluation of digital currency	-	-	-	92,083	-	-	92,083
Net loss for year	-	-	-	-	-	(813,197)	(813,197)
Balance, February 28, 2021	30,683,189	$ 23,005,991	$ 1,062,010	$ 92,083	$ 1,900,648	$ (23,210,200)	$ 2,850,532
Share-based payments	-	-	-	-	1,450,777	-	1,450,777
Acquisition (Note 12)	22,400,001	21,504,001	-	-	3,539,145	-	25,043,146
Private placement	43,000,000	13,050,000	(1,062,010)	-	-	-	11,987,990
Share issued costs	-	(2,179,499)	-	-	922,320	-	(1,257,179)
Finder's fee	249,285	83,750	-	-	-	-	83,750
Options exercised	40,000	24,370	-	-	(10,370)	-	14,000
Warrants exercised	1,255,332	334,666	-	-	-	-	334,666
Revaluation of digital currency	-	-	-	(92,083)	-	-	(981,000)
Net loss for year	-	-	-	-	-	(22,959,951)	(22,071,034)
Balance, February 28, 2022	97,627,807	$ 55,823,279	$ -	$ -	$ 7,802,520	$ (46,170,151)	$ 17,455,648

See accompanying notes.

1. NATURE OF OPERATIONS AND GOING CONCERN

LQwD FinTech Corp. (the “Company” or “LQwD”) is incorporated under the *Business Corporations Act* (British Columbia). LQwD is a technology company that is focused on developing various web-based platforms, solutions and applications. The Company’s common shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol “LQWD” and on the OTCQB market under the symbol “LQWDF”.

On November 23, 2020, the Company entered into a share exchange agreement (the “Agreement”) with LQwD Financial Corp. (“LQwD Financial”) to acquire 100% of the issued and outstanding shares of LQwD Financial (the “Transaction”). Under the Agreement, each outstanding LQwD Financial share was exchanged for one LQwD share, resulting in an aggregate issuance of 22,400,001 LQwD shares at a deemed price of $0.25 per share. Upon completion of the Transaction, LQwD Financial became a wholly owned subsidiary of LQwD. On June 9, 2021, the Company completed the Transaction with LQwD Financial.

There is no assurance that the Company’s business will result in future profitable operations. The business is subject to risk, market conditions, supply and demand, and competition. The Company currently has cash available to meet its administrative overhead and maintain its assets. The recoverability of amounts shown in assets is dependent on several factors. These factors include the ability of the Company to obtain financing to complete the planned international expansion, and future cashflow from the Company’s business.

However, there can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. On February 28, 2022, the Company had working capital of $8,801,613 (February 28, 2021: $2,247,241). On February 28, 2022, the Company also had an accumulated deficit of $46,170,151 (February 28, 2021: $23,210,200).

2. BASIS OF PRESENTATION AND CONSOLIDATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with IFRS as issued by the International Accounting Standards Board and its interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting, except for cash flow information. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of the policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. The accounting policies set out below have been applied consistently by the Company and its subsidiaries.

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

2. BASIS OF PRESENTATION AND CONSOLIDATION *(Continued)*

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the majority of the Company's subsidiaries. The functional currency of the acquired subsidiary (LQwD Financial Corp) is the Canadian dollar.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each consolidated statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in profit and loss.

Assets and liabilities of a subsidiary having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are presented as a translation adjustment under other comprehensive income or loss, a component of equity.

(d) Basis of consolidation

The consolidated financial statements for the year ended February 28, 2022 include the accounts of the Company and its wholly-owned integrated subsidiaries over which the company has control as defined in IFRS 10, all of which have a February 28 year end. Entities over which the Company has control are presented on a consolidated basis from the date control commences. Control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power and rights in respect of the entity. All of the consolidated entities were under control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, during the entirety of the periods for which their respective results of operations were included in the consolidated statements. All intercompany balances and transactions are eliminated on consolidation.

The Company's subsidiaries are:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Coronado Resources USA LLC	USA	100%	Holding Company
LQwD Financial Corp.	Canada	100%	Technology
Skyrun Technology Corp.	Canada	100%	Technology
0980862 B.C. Ltd.	Canada	100%	Holding Company
0997680 B.C. Ltd.	Canada	100%	Holding Company
0997684 B.C. Ltd.	Canada	100%	Holding Company

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits in banks and highly liquid investments having terms to maturity of 90 days or less when acquired.

(b) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements is in conformity with IFRS, which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management judgements, estimates and assumptions include:

- Judgment is used in determining whether an acquisition is a business combination or an asset acquisition
- The determination of the useful life of the intangible assets.
- The assessment of whether certain factors (both internal and external) would be considered an indicator of impairment and whether impairment testing is required on the intangible assets.
- The determination that the Company will continue as a going concern for the next year.
- It is Management judgement that digital currencies meet the definition of intangible assets in IAS 38 Intagible Assets. Digital currencies consist of cryptocurrency denominated assets and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. Fair value is determined by taking the price of the digital currencies from www.coinbase.com.
- Digital currencies generally meet the relatively wide definition of an intangible asset, as they are identifiable, lack physical substance, are controlled by the holder and give rise to future economic benefits for the holder. Intangible assets should be accounted for under IAS 38, except when they are within the scope of another standard (e.g., crypto-assets that meet the definition of a financial asset under IAS 32 or crypto-assets held for sale in the ordinary course of business under IAS 2).
- The Company is subject to income tax assessment in Canada. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken in the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Significant accounting judgments, estimates and assumptions *(Continued)*

occur subsequent to the issuance of these consolidated financial statements. Additionally, estimating income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before such deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

- The Company estimates the cost of equity-settled share based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an equity instrument with a term equal to the expected life of the option, and the expected forfeiture rate.
- The Company recognizes revenue on the completion of transaction using the company's infrastructure or for services provided. As consideration for these services, the Company receives digital currencies from the client. Revenue is recognized when the Company receives the fee for a forwarding transaction. For hosting and other services contracts, the Company has determined that the substance of the service contracts is provision of services under IFRS 15 Revenue from Contracts with Customers. Revenue is recognized only when the amount of the contract and separate performance obligations are identified, the transaction can be measured reliably, the transaction price can be allocated to the performance obligations, and the performance obligations is satisfied. Accordingly, the Company has determined that revenue should be recognized as the provision of services under the contract is completed. Determination of separate elements under the terms of the contract and completion of performance obligation may be subject to significant judgment exercised by management.
- The functional currency of the Company and its subsidiaries has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency. The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements.
- Management determines the estimated useful lives and residual values of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the useful lives and residual value annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

(d) Intangible assets

Intangible assets consist of the Company's virtual currency software platform, coincurve.com and buybitcoincanada.com. On June 9, 2021, the Company completed the Transaction (see Note 10) which included the Lightning Network and Lightning Platform.

Intangible assets acquired separately are initially recognized at cost. The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date that the Company can demonstrate all of the following: i) the technical feasibility of completing the intangible assets so that it will be available for use or sale; ii) its intention to complete the intangible asset and use or sell it; iii) its ability to use or sell the intangible asset; iv) how the intangible asset will generate

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Intangible assets *(Continued)*

probable future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Until these criteria are met, expenditures are expensed as incurred. Costs incurred during the operating stage of the platform relating to upgrades and enhancements are capitalized to the extent that they result in the extended life of the product.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

The accounting for an intangible asset is based on its useful life. Intangible assets with a finite useful life are amortized over their estimated useful life. Intangible assets with an indefinite useful life are not amortized. Intangible assets under development which are not ready for use are not amortized. The amortization method, estimated useful life, carrying value and residual value are reviewed each financial year-end or more frequently if required, and are adjusted as appropriate. The coincurve.com, buybitcoincanada.com, Lightning Platform and Lightning Network were assessed as having a useful life of five, two, five and seven years respectively based on management's estimate.

(e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management.

Computer equipment and Furniture and equipment are amortized on a declining balance at a rate of between 20 and 55 percent.

Other property and equipment is amortized on a straight line bases over the estimated useful life of the asset. The estimated useful life of the estimated useful life of leasehold improvements is between 2 and 7 years.

(f) Digital currencies

Digital currencies (Note 6) meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at the fair value of the acquisition date and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss.

The Company revalues its digital assets at the end of each of its three interim financial reporting periods and at its annual financial reporting period end date. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

Digital currencies consist solely of Bitcoin and are measured at fair value using the quoted price on Coinbase.com. Management considers this fair value to be a level two input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Digital currencies *(Continued)*

The Company's determination to classify its holding of Bitcoin as current assets is based on management's assessment that its Bitcoin held can be considered a commodity that may be readily sold because liquid markets are available. The Company holds the majority of its Bitcoin in Bitgo.

(g) Revenue recognition

IFRS 15 *Revenue from Contracts with Customers* provides a five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

The Company's revenue consists of service fees earned from customers that use the platform. Revenue is recognized when it is probable that the economic benefits will flow to the Company, delivery of the service has occurred and collectability is reasonably assured.

(h) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

(i) Share-based compensation

The Company's stock option plan allows employees and consultants to acquire shares of the Company and certain employees and consultants are eligible to participate in a warrant program. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to share capital with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options or warrants is recorded as share capital and the related reserves amount is transferred to share capital.

(j) Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is established to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment *(Continued)*

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(k) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at years end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities, they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(l) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the Statement of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost
b) fair value through profit or loss ("FVTPL"), and
c) fair value through other comprehensive income ("FVTOCT").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

a. the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Asset / Liability	**Classification / Measurement**
Cash	FVTPL
Account receivable and others	Amortized cost
Trade payables and accrued liabilities	Amortized cost
Lease obligations	Amortized cost

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

(m) Leases

The Company recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Leases *(Continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise prices under a purchase price option that the Company is reasonably certain to exercise,
- payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Business Combination

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, estimates including market based and appraisal values are used.

The Company measures all assets acquired and liabilities assumed at their acquisition date fair values. Acquisition related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of the consideration transferred to obtain control over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

Where goodwill has been allocated to a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(p) Loss Per Share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding. Diluted loss per share is calculated in a similar manner, except that the weighted average number of shares outstanding is increased to include potentially issuable shares from the assumed exercise of share purchase options and warrants, if dilutive. The diluted loss per share calculation excludes any potential conversion of options, warrants, and convertible debt that would increase earnings per share or decrease loss per share.

(q) Other Comprehensive Income or Loss

Other comprehensive income or loss is the change in equity from transactions and other events and circumstances from non-shareholder sources. Other comprehensive income or loss refers to items recognized in comprehensive income or loss, but that are excluded from net income or loss calculated in accordance with IFRS. The resulting changes from the revaluation of digital currencies are recognized in other comprehensive income or loss for the year.

(r) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

4. CHANGES IN ACCOUNTING STANDARDS

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 31, 2021 and, accordingly, have not been applied in preparing these consolidated financial statements.

Improving Accounting Policy Disclosures and Clarifying Distinction between Accounting Policies and Accounting Estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from change in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

IAS 12: Amendment to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

New and Amended Accounting Pronouncements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

(Expressed in Canadian Dollars)

4. CHANGES IN ACCOUNTING STANDARDS *(Continued)*

New and Amended Accounting Pronouncements *(Continued)*

Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and

Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022.The amendment applies to annual reporting periods beginning on or after April 1, 2021.

However, the Company has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

5. INTAGIBLE ASSETS

	Lightning Network	Lightning Platform	BuyBitcoinCanada	Coincurve	Total
Cost					
At February 29, 2020	$ -	$ -	$ -	$ 708,285	$ 708,285
Asset acquisition	-	-	35,000	-	35,000
Additions	-	-	-	96,316	96,316
At February 28, 2021	-	-	35,000	804,601	839,601
Additions (Note 12)	5,696,000	220,000	-	-	5,916,000
At February 28, 2022	5,696,000	220,000	$ 35,000	$ 804,601	$ 6,755,601
Accumulated depreciation					
At February 29, 2020	$ -	$ -	$ -	$ (100,021)	$ (100,021)
Depreciation	-	-	(16,042)	(162,514)	(178,556)
At February 28, 2021	-	-	(16,042)	(262,535)	(278,577)
Depreciation	(610,285)	(33,000)	(17,500)	(166,506)	(827,291)
At February 28, 2022	(610,285)	(33,000)	$ (33,542)	$ (429,041)	$ (1,105,868)
Net book value					
February 28, 2021	$ -	$ -	$ 18,958	$ 542,066	$ 561,024
February 28, 2022	**$ 5,085,715**	**$ 187,000**	**$ 1,458**	**$ 375,560**	**$ 5,649,733**

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Right of Use Asset	Total
Cost					
At February 29, 2020	$ 5,022	$ -	$ -	$ -	$ 5,022
Addition	-	-	-	-	-
At February 28, 2021	5,022	-	-	-	5,022
Addition (Note 12)	10,452	47,167	3,337	143,739	204,695
At February 28, 2022	$ 15,474	$ 47,167	$ 3,337	$ 143,739	$ 209,717
Accumulated amortization					
At February 29, 2020	$ (1,332)	$ -	$ -	$ -	$ (1,332)
Amortization	(1,107)	-	-	-	(1,107)
At February 28, 2021	(2,439)	-	-	-	(2,439)
Amortization	(3,205)	(2,757)	(371)	(22,695)	(29,028)
At February 28, 2022	$ (5,644)	(2,757)	(371)	(22,695)	$ (31,467)
Net book value					
February 28, 2021	$ 2,583	$ -	$ -	$ -	$ 2,583
February 28, 2022	**$ 9,830**	**$ 44,410**	**$ 2,966**	**$ 121,044**	**$ 178,250**

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the year ended February 28, 2022:

The Company issued 883,332 warrants at a price of $0.20 per share, 280,000 warrants at a price of $0.40 per share and 92,000 warrants at a price of $0.50 per share were exercised for gross proceeds of $334,666.

The Company granted 40,000 options with an exercise price of $0.35 per share were exercised for gross proceeds of $14,000.

On March 23, 2021, the Company closed a non-brokered private placement of 20,000,000 subscription receipts at a price of $0.25 per subscription receipt for gross proceeds of $5,000,000. Each subscription receipt entitled the holder thereof to receive one share and one-half of a share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional share at a price of $0.40 per share at any time for a period of 12 months following the date of conversion of the subscription receipts (see Note 10). On June 9, 2021, the subscription receipts were converted into 20,000,000 common shares and 10,000,000 warrants.

On June 9, 2021, the Company issued 22,400,001 shares, valued at $0.25 per share, to the shareholders of LQwD Financial Corp. (“LQwD Financial”) in consideration for the transfer of all of the issued and outstanding common shares in the capital of LQwD Financial (see Note10).

In connection with the above, the Company paid finder's fees in the amount of $249,150, which represents a 7% cash fee on certain of the gross proceeds raised from subscriptions introduced by arm's length parties. The Company also issued finder's securities, consisting of an aggregate of (i) 672,000 broker warrants with each broker warrant being exercisable to acquire one share at a price of

7. CAPITAL STOCK *(Continued)*

(b) Issued and outstanding *(Continued)*

$0.40 per share; and (ii) 35,000 finder's units with each finder's unit converting into one share and one-half of one share purchase warrant, with each whole such warrant entitling the holder thereof to purchase one additional share at a price of $0.40 per share. The Company also issued 100,000 compensation options to the sponsor of the financing. Each compensation option entitles the holder to purchase a unit of the Company at a price of $0.25 per unit for one year. Each unit consists of one share and one-half of one warrant (with each whole warrant entitling the holder to purchase one additional share at a price of $0.40 per share for 12 months).

On October 28, 2021, the Company completed an offering of 20,000,000 units at a price of $0.35 per unit for gross proceeds of $7,000,000. The offering was conducted by a syndicate of underwriters. The underwriters also exercised their over-allotment option in full to purchase an additional 3,000,000 units for additional gross proceeds of $1,050,000. Including the proceeds from the exercise of the over-allotment option, the total gross proceeds of the offering are $8,050,000 with an aggregate of 23,000,000 units issued. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share until October 28, 2023, at an exercise price of $0.50.

In consideration for their services, the Company paid the underwriters a cash fee equal to 7.0% of the aggregate gross proceeds of the Offering, other than in respect of Units sold to purchasers designated by the Company, for which a cash fee of 3.5% was paid, and issued an aggregate of 1,528,765 compensation warrants and 214,285 common shares as partial payment of a corporate finance fee. Each compensation warrant will be exercisable to acquire one common share at an exercise price equal to the Offering Price for a period of 24 months from the closing of the Offering, subject to adjustment in certain events.

During the year ended February 28, 2021:

On March 31, 2020, the Company acquired buybitcoincanada.com, a virtual currency brokerage platform from Canadian blockchain company, Bitaccess Inc., in exchange for 233,333 shares of the Company (at a value of $35,000).

On April 22, 2020, the Company issued 200,000 shares to two officers of the Company at a price of $0.16 per share in accordance with the terms of the agreement to purchase Skyrun Technology Corp. (“Skyrun”) (Note 9).

On June 2, 2020, the Company issued 100,000 common shares to two officers of the Company at a price of $0.17 per share in accordance with the terms of the agreement to purchase Skyrun (Note 9).

On November 2, 2020, the Company completed a non-brokered private placement of 4,902,212 units at $0.15 per share for gross proceeds of $735,632. Each unit comprises one common share of the Company and one share purchase warrant. Each warrant entitles the holder to subscribe for one additional share at a price of $0.20 per share for a period of 18 months from the date of issuance.

(c) Incentive share options

The Company has a stock option plan (the “Plan”) allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the discounted market price on the grant date. Unless otherwise specified by the Board of Directors at the time of granting an option, and subject to other term limits on option grants set out in the Plan, all options must vest over a minimum of two years

(Expressed in Canadian Dollars)

7. CAPITAL STOCK *(Continued)*

(c) Incentive share options *(Continued)*

except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one quarter of the options vesting in any three-month period.

The purpose of the Plan is to provide directors, officers, key employees and certain other persons who provided services to the Company and its subsidiaries with an increased incentive to contribute to the future success and prosperity of the Company.

The following is a continuity of outstanding share options:

	Number of Options	Weighted Average Price per Share
Balance at February 29, 2020	1,510,000	$ 0.35
Cancelled during the year	(600,000)	0.35
Balance at February 28, 2021	910,000	$ 0.35
Cancelled during the period	(40,000)	0.35
Exercised during the year	(40,000)	0.35
Granted during the year	6,200,000	0.56
Balance at February 28, 2022	7,030,000	$ 0.54

(d) Share-based compensation

The following summarizes information about share options that are outstanding at February 28, 2022:

Number of Options	Price per Share	Expiry Date	Options Exercisable
730,000	$0.35	May 28, 2024	730,000
100,000	$0.35	July 24, 2024	100,000
1,000,000	$0.65	May 20, 2026	250,000
3,375,000	$0.60	September 2, 2026	421,875
1,825,000	$0.45	December 26, 2026	-
7,030,000			1,501,875

As of February 28, 2022, the weighted average contractual remaining life is 4.29 years.

During the year ended February 28, 2022, the Company granted 6,200,000 stock options and the Company recorded compensation expense of $1,450,777 and are subject to deferred vesting over a two year period. During the year ended February 28, 2021 no stock options were granted and the Company recorded compensation expense of $72,071.

The following assumptions were used for the Black-Scholes option pricing model calculations:

	Risk-free interest rate	Expected stock price volatility	Expected option life in years	Dividend rate
December 26, 2021	1.15%	131.32%	5 Years	Nil
September 2, 2021	0.72%	131.84%	5 Years	Nil
May 20, 2021	0.87%	138.28%	5 Years	Nil
July 24, 2019	1.33%	131.29%	5 Years	Nil
May 28, 2019	1.34%	123.23%	5 Years	Nil

(Expressed in Canadian Dollars)

7. CAPITAL STOCK *(Continued)*

(d) Share-based compensation *(Continued)*

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(e) Share purchase warrants

The following is a continuity of outstanding share purchase warrants:

	Number of Warrants	**Weighted Average Price per Share**	
Balance at February 29, 2020	-	$	0.00
Granted during the year	4,904,212		0.20
Balance at February 28, 2021	4,904,212	$	0.20
Exercised during the year	(1,255,332)		0.27
Granted during the year	23,718,265		0.45
Balance at February 28, 2022	27,367,145	$	0.41

The following summarizes information about the warrants that are outstanding at February 28, 2022.

Number of Warrants	Price per Share	Expiry Date
4,020,880	$0.20	May 2, 2022
10,689,500	$0.40	June 9, 2022
11,500,000	$0.50	October 28, 2023
1,528,765	$0.35	October 28, 2023
27,367,145		

As of February 28, 2022, the weighted average contractual remaining life is 0.93 years.

(f) Performance-based share purchase warrants

In connection with the Transaction completed on June 9, 2021 (see Note 10), the Company granted 4,000,000 performance warrants to directors and officers at an exercise price of $0.15 per warrant share with an expiration date of January 2, 2025.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK *(Continued)*

(f) Performance-based share purchase warrants *(Continued)*

The performance warrants are subject to vesting upon the achievement of certain milestones by certain dates, as set out below:

	On or before	Number of Performance Warrants	Exercise price of vested performance warrants	Number of performance warrants vested
1. LSP services, payment channels and watchtowers established	June 30, 2021	1,000,000	$0.15	1,000,000
2. Launch of Bitcoin staking on LN channels and payment routing tools	December 31, 2021	1,000,000	$0.15	1,000,000
3. Launch of LQwD money financial portal	December 31, 2022	1,000,000	$0.15	-
4. Application/integration of analytics, machine learning and data API	December 31, 2023	1,000,000	$0.15	-
		4,000,000		2,000,000

(g) Compensation options

In connection with the 100,000 compensation options issued, the Company recorded a share issue cost of $75,030 using the following Black-Scholes option pricing model variables:

	June 9, 2021
Risk-free interest rate	0.32%
Expected stock price volatility	126.01%
Expected option life in years	1 year
Dividend rate	Nil

The 100,000 compensation options have an expiry date of June 9, 2022.

8. DIGITAL CURRENCIES

Digital currencies consist of Bitcoin coins. Below is a continuity of digital currencies acquired through purchase during the year.

	February 28, 2022		February 28, 2021	
	Bitcoin	$	Bitcoin	$
Opening balance	6.62	387,083	-	-
Purchases	144.28	8,889,516	6.62	295,000
Revaluation of digital currency	-	(92,083)	-	92,083
Loss on revaluation	-	888,917		
Ending balance	**150.90**	**8,295,599**	**6.62**	**387,083**

The fair value of digital currencies at February 28, 2022 is $8,295,599. The decrease in value of $981,000 has been recognized in the revaluation reserve $92,083 and Loss on revaluation of $888,917.

9. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

		February 28, 2022		February 28, 2021
Consulting	$	12,000	$	152,500
Director fees		-		3,000
Salaries		365,379		-
Share-based compensation		943,111		48,249
	$	1,320,490	$	203,749

During the year ended February 28, 2022, the Company was charged $nil (February 28, 2021 - $24,189) by a Canadian related company with similar key management personnel for management fees.

All transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. FINANCIAL INSTRUMENTS RISK

The Company's financial instruments are exposed to the following risks:

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of amounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company has an allowance for doubtful accounts of $635,000.

Market Risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign Exchange Risk

The Company currently does not have significant exposure to other currencies, but this may change in the foreseeable future as the capital commitments that are expected to be carried out in United States dollars.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its purchases and capital commitments, and other financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS RISK *(Continued)*

The Company's liquidity is dependent upon maintaining its current working capital balances, operating cash flows and ability to raise funds. To forecast and monitor liquidity, the Company prepares operating and capital expenditure budgets which are monitored and updated as considered necessary. Considering these circumstances and the Company's cash balance liquidity risk is assessed as low.

As at February 28, 2022, the contractual maturities of financial liabilities were as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 2 Year	2 to 3 Year	3 to 4 Years	+ 4 Years
Trade payable and accrued liabilities	400,775	400,775	400,775	-	-	-	-
Lease obligations	129,354	159,152	51,992	53,600	36,448	-	-
Total	530,129	559,927	452,767	53,600	36,448	-	-

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. Most of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy

according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value classification of the Company's financial instruments are as follows:

		February 28, 2022	February 28, 2021
	Fair Value Level	Fair value through profit or loss	Fair value through profit or loss
		$	$
Financial assets:			
Cash and cash equivalents	1	871,449	1,836,827
		871,449	1,836,827

The Company's cash and cash equivalents are classified as level 1. During the years ended February 28, 2022 and February 28, 2021, there were no transfers between level 1, level 2 and level 3.

11. DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currencies are measured based on their fair values, determined using the daily weighted close price for the digital currency on www.coinbase.com

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is affected by the current and future market price of digital currencies; in addition, the Company may not be able to liquidate its inventory of digital currencies at its desired price if required. A decline in the market prices for digital currencies could negatively impact the Company's future operations. The Company from time to time converts its digital currency but has not entered into any hedge transactions.

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance. The Company's digital currencies consist primarily of Bitcoin. The impact of a 25% variance in the price of this digital currency on the Company's earnings before tax, based on their closing prices at February 28, 2022 would be $2,073,900.

12. BUSINESS ACQUISITIONS

On August 28, 2018, the Company entered into a binding share purchase agreement to acquire 100% of the outstanding common shares of Skyrun, a Vancouver-based company developing a virtual currency platform, coincurve.com. Under the terms of the share purchase agreement, the Company will issue up to 1,320,000 common shares (700,000 issued to date) in exchange for 100% of the issued and outstanding shares of Skyrun. The shares of the Company will be released to the principals of Skyrun, Wayne Chen and Rod Hsu, when certain milestones are reached that are linked directly to the development, operations and overall success of the Company on or prior to December 31, 2020.

On May 28, 2019, the TSX-V provided final approval for the Skyrun acquisition and change of business to a technology issuer.

On June 9, 2021, the Company acquired 100% of the issued and outstanding shares of LQwD Financial (the "Transaction"). Under the agreement, each outstanding LQwD Financial share was exchanged for one LQwD share, resulting in an aggregate issuance of 22,400,001 LQwD shares at a deemed price of $0.25 per share. On the closing date of the Transaction LQWD shares traded at $0.96 per share, resulting in a premium on the purchase price. The purchase consideration also included the fair value of 4,000,000 performance warrants (with varying vesting conditions). Upon completion of the Transaction, LQwD Financial became a wholly owned subsidiary of LQwD.

(Expressed in Canadian Dollars)

12. BUSINESS ACQUISITIONS *(Continued)*

The Company has recorded the Transaction as an asset acquisition with the allocation of the purchase consideration as follows:

Consideration paid:	
Share consideration – 22,400,000 common shares	$ 21,504,001
Warrant consideration – 4,000,000 performance warrants	3,539,145
	25,043,146
Total value of equity:	
Cash and cash equivalents acquired	(4,155)
Total debt assumed	85,000
	80,845
Total enterprise value:	**25,123,991**
Assets to be allocated:	
Current assets	18,360
Property, plant and equipment	2,535
Liabilities assumed	(295,530)
Total tangible assets	(274,636)
Lightning network	5,696,000
Lightning platform	220,000
Goodwill	2,838,279
Total intangible assets	8,754,279
Premium on purchase price	16,644,347
Total allocation:	**$ 25,123,991**

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future development of the business and maintaining investor, creditor and market confidence.

The Company defines its capital as shareholders' equity and working capital. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. If adjustments to the capital structure are required, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements or restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated. The Company may require equity issues to cover administrative and operating cost.

(Expressed in Canadian Dollars)

14. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

For the years ended	February 28, 2022	February 28, 2021
	$	$
Net loss for the year before tax	(22,959,951)	(813,197)
Expected income tax (recovery) expense	(6,199,187)	(220,000)
Premium on purchase price	4,493,974	-
Permanent differences	633,634	-
Net adjustment for deductible and non-deductible amounts	875,346	59,000
Unrecognized benefit of current non-capital loss	-	161,000
Change in unrecognized deductible temporary difference	196,232	
Total income tax (recovery) expense	-	-

The Company's unrecognized temporary differences and unused tax losses consists of the following:

As at	February 28, 2022	February 28, 2021
	$	$
Exploration and evaluation carrying amounts	328,889	329,000
Fixed and intangible assets	(93,527)	31,000
Non-capital loss carry-forwards	11,683,709	14,200,000
Share issue costs	91,346	42,000
Unrecognized deductible temporary differences	12,012,438	14,602,000

(Expressed in Canadian Dollars)

14. INCOME TAXES *(Continued)*

As of February 28, 2022, the Company has Canadian non-capital losses carry forward of approximately $12,299,300 (February 28, 2021 - $8,372,000). These losses are available to be utilized as deductions against future year's Canadian taxable income operations. If not utilized, they will expire as follows:

	$
2026	158,000
2027	293,000
2028	381,000
2029	291,000
2030	517,000
2031	250,000
2032	523,000
2033	338,000
2034	873,000
2035	707,000
2036	600,000
2037	291,000
2038	157,000
2039	1,261,566
2040	1,530,216
2041	886,494
2042	3,242,024
	12,299,300

As at February 28, 2022, the Company has US non-capital loss carry-forwards for tax purposes (expiring between 2026 and 2040) of approximately $5,835,000 (February 28, 2021 - $5,829,000) available to be utilized as deductions against future year's US taxable income.

15. SUBSEQUENT EVENTS

On May 2, 2022, 3,870,880 warrants issued on November 2, 2020, with an exercise price of $0.20 expired, and on June 9, 2022, a further 10,409,500 warrants issued on June 9, 2021, with an exercise price of $0.40 expired.

On May 20, 2022, operation of coincurve.com was temporarily halted while the Company focuses on expanding the Lightning network and platform.

Subsequent to the year-end date of February 28, 2022, the Company has sold 29 bitcoin for proceeds of $1,111,086 (USD $866,213).